



FOR IMMEDIATE RELEASE

October 2, 2006

## FACT SHEET

### **SANDERS ISSUES DRAFT FY'03 CITY FINANCIAL STATEMENTS** **RELEASE IS MAJOR STEP FORWARD TOWARD FUNDING CAPITAL PROJECTS**

#### ***DOCUMENT PROVIDES ACCURATE PICTURE OF CITY'S FINANCIAL SITUATION; CITY COUNCIL WILL REVIEW IN TWO WEEKS***

Mayor Jerry Sanders today released a **DRAFT** of the City's financial statements for FY2003, the first financial statements to be issued in 3 years. Formally known as the Comprehensive Annual Financial Report (CAFR), the document was transmitted to the City Council today, two weeks before they will be asked to review and approve the document at their October 16<sup>th</sup> meeting. This same draft was formally transmitted to the City's outside auditors KPMG the week before last. A formal opinion letter on the CAFR is expected back from KPMG by Friday, October 27<sup>th</sup>.

The CAFR provides complete information about each of the City's significant accounting policies, long term liabilities, capital assets, pension liabilities, lease revenues, accounts payable and a description of major litigation still facing the City. Any bond offerings that the City will issue in the future will include copies of the City's audited financial statements.

In the preparation of this document, the City's new financial management team has meticulously followed the requirements of the Government Accounting Standards Board for disclosures and statements detailing the City's accounting policies and practices, capitalization of assets, inter-fund transactions, fund restatements and descriptions of liabilities, among many other topics. Once completed, the report will be the first independently reviewed document that tells the citizens of San Diego and the financial markets the true financial condition of the City during FY03.

The document differs significantly from previous CAFRs submitted by the City, in the following ways:

- \* It is the first to be completely prepared by City staff. Previous CAFR's were prepared by the outside auditors.
- \* The FY03 CAFR includes a comprehensive list of actions and events that materially affected the City during FY03. For example, the document includes the re-statement of

57 different line items (recalculations of debt, value of capital assets, energy expenses, claims against the City) that were previously improperly classified or stated. As a result, the City's net assets were reduced by approximately \$458 million net (reductions in net asset values totaled \$1.011 billion; they were offset by approximately \$553 million worth of additions).

- \* Because the document is being issued during FY07, "subsequent events" – events that occurred subsequent to the close of FY03 (including those in FY04-FY07) are also included in the document:
  - \* An increased estimate for the City's net Pension Obligation raising the total difference between the Annual Required Contribution made by the City and the contribution actually needed from \$126 million to \$164 million.
  - \* The first formal acknowledgment of the City's true liability for retiree health care benefits, \$1.4 billion. This is reported in the Letter of Transmittal and is not included in the financial statements. In spite of the fact that it will not be required to report until the FY08 CAFR (as part of the Government Accounting Standards Board 45 regulation), the Mayor chose to include it in the FY03 CAFR to ensure transparency.
- \* Full disclosure about the issues and/or conclusions made in the Kroll report and the ongoing investigations being conducted by the City Attorney.

The City will follow a very similar process for the release of the FY04 and FY05 CAFR's according to the following timeline:

#### **FY04 CAFR**

By October 27, 2006	City issues draft FY04 CAFR
Subsequent	City Council reviews/approves FY04 CAFR
By November 22, 2006	City receives FY04 opinion letter from Macias, Ginni & O'Connell
November 27, 2006	FY03 & FY04 CAFR's sent to rating agencies

#### **FY05 CAFR**

By January 12, 2007	City issues draft FY05 CAFR
Subsequent	City Council reviews/approves FY05 CAFR
By February 16, 2007	City receives FY05 opinion letter from Macias, Ginni & O'Connell
Tuesday, February 19, 2007	FY05 CAFR sent to rating agencies
By February 28, 2007	Rating expected

**The cover memo from the Mayor to the City Council transmitting the document makes clear that absent an opinion from the City's independent auditors, the information in the draft should not be used to make assertions or determinations regarding the financial position of the City. The draft document is not intended for investors or the financial markets, and persons should not make investment decisions regarding the City's securities on the basis of a review of this document.**

**[View a copy of the FY03 CAFR.](#)**